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TO RUEHC/SECSTATE WASHDC IMMEDIATE 6855  
INFO RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBY/AMEMBASSY CANBERRA 0719  
RUEHBJ/AMEMBASSY BEIJING 1604  
RUEHKA/AMEMBASSY DHAKA 4683  
RUEHNE/AMEMBASSY NEW DELHI 4256  
RUEHUL/AMEMBASSY SEOUL 7810  
RUEHKO/AMEMBASSY TOKYO 5370  
RUEHCN/AMCONSUL CHENGDU 1268  
RUEHCHI/AMCONSUL CHIANG MAI 1234  
RUEHCI/AMCONSUL KOLKATA 0137  
RUEAIIA/CIA WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEKJCS/DIA WASHDC  
RUEHGV/USMISSION GENEVA 3401  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUCNDT/USMISSION USUN NEW YORK 1158  
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 001122

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STATE FOR EAP/MLS; INR/EAP; OES FOR JMIOTKE AND ACOVINGTON;  
EAP FOR JYAMAMOTO; EEB FOR TSAEGER  
PACOM FOR FPA;  
TREASURY FOR OASIA:SCHUN

E.O. 12958: DECL: 11/20/2017

TAGS: [ECON](#) [ENRG](#) [PGOV](#) [EPET](#) [BM](#)

SUBJECT: THAI PETROLEUM COMPANY TO INCREASE INVESTMENT IN  
BURMA

REF: RANGOON 1069

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4  
(b and d)

11. (C) Summary. Thai-owned PTTEP, one of the largest foreign investors in Burma's oil and gas sectors, plans to invest an additional \$1 billion over the next three years to develop offshore block M9. PTTEP, which found substantial natural gas reserves in late 2006, intends to drill four additional exploratory wells and install production equipment in 2008. The company hopes to begin production of natural gas by 2011 or 2012. PTTEP, which holds a thirty-year concession for the M9 block, is looking for foreign investors to help develop the block. It has begun talks with Chinese-owned CNOOC, which owns the concession for the adjacent M10 block. According to the Thai Embassy, PTTEP worries that the new U.S. sanctions would limit its ability to use Singapore banks; a partnership with CNOOC would ensure that the company could continue to do business in Burma. The Thai Embassy also indicated that the Burmese Government had pressured PTTEP to form a partnership with China. Once production begins, PTTEP plans to export the gas to Thailand, although the Chinese may have other plans. End Summary.

PTTEP's Operations in Burma  
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12. (C) As one of the largest foreign companies investing in Burma's oil and gas sector, Thailand's PTT Exploration and Production Company (PTTEP) began operations in Burma in 1990. Initially, PTTEP entered Burma's oil and gas market by

investing in two existing projects: Malaysian-owned Petronas Carigali's Yetagun Gas Fields in offshore blocks M12, M13, and M14, and French-owned Total's Yadana Project in the M5 and M6 blocks. In return for its investments in the two projects, PTTEP gained rights to purchase 90 percent of the natural gas produced in the Yetagun and Yadana fields, for transport to Thailand via a pipeline (Reftel). In 2007, PTTEP paid more than \$1 billion for natural gas from the Yetagun and Yadana projects, making it the largest single buyer of Burmese gas in the world.

13. (C) PTTEP expanded its operations in 2003, when it signed a thirty-year concession with the Myanmar Oil and Gas Enterprise (MOGE), the state-owned enterprise responsible for all oil and gas development projects, for sole control of offshore blocks M7 and M9. After obtaining seismic data, PTTEP began exploratory drilling in 2005, and by late 2006 had completed four exploration wells and four appraisal wells. According to the Thai Embassy, PTTEP invested approximately \$15 million on the exploration of these two wells. In late 2006, PTTEP announced that it found substantial reserves, estimated at more than 8 trillion cubic feet of gas, in the M9 block. In a November 20 meeting, Somjai Taphaopong, Economic Officer at the Thai Embassy, told us that PTTEP plans to drill additional exploration wells, and could produce natural gas as early as 2011. PTTEP officials told Taphaopong that the project would cost the company \$8 billion over the next five years. PTTEP has not yet committed to investing the total amount, and will make a decision by 2009.

14. (C) PTTEP also has sole control over three additional blocks in the Gulf of Martaban. In 2004, PTTEP signed a production sharing contract (PSC) for blocks M3 and M4, and an additional PSC in 2005 for block M11. Taphaopong told us

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that PTTEP obtained seismic data for these blocks and is assessing their potential output prospects. She predicted that PTTEP would begin exploratory drilling by 2009. PTTEP invested more than \$17 million to explore these three blocks; exploratory drilling would likely cost the company an additional \$10 million, Taphaopong said.

15. (C) Taphaopong inquired whether the U.S. Government would force Chevron, which owns a 28 percent share in the Yadana fields, to pull out of Burma. PTTEP, which has a 25 percent share in the Yadana project, would be interested in buying Chevron out, she stated.

#### Possible Partnership with Chinese

16. (C) Under the company's PSC with MOGE, when M9 begins producing, PTTEP must sell a portion of the natural gas produced to MOGE, but can export the remainder to Thailand or sell it to the highest bidder. Taphaopong said that PTTEP planned to expand the existing Yadana pipeline so it could send the natural gas to Thailand. Thailand needs the natural gas to create electricity; the Thai Government would be "displeased" if PTTEP sold the gas to another country, she declared. PTTEP was state-owned until 1992 when it became a publicly-traded company.

17. (C) On November 14, PTTEP President Maroot Mrigadat announced that the company sought foreign investors to assist with the development of block M9. Embassy officers tried to meet with local PTTEP representatives, who claimed that the company was "not allowed" to meet with expatriates. Taphaopong confirmed that PTTEP would invest \$1 billion in the M9 block over the next three years, and added that PTTEP was talking with Chinese-owned CNOOC, which controls block M10 (located directly east of M9), about possible future investments.

18. (C) Taphaopong was unsure of the exact motivation behind

PTTEP's discussions with the Chinese, but implied that the Burmese Government had pressured PTTEP to join forces with the Chinese. She also acknowledged that PTTEP, as well as other Thai companies, worried that the new U.S. sanctions would limit its ability to do business in Burma. All Thai companies with investments in Burma use Singapore banks to transfer money, she said. Although PTTEP had not yet experienced difficulties with its banks in Singapore, other Thai companies had. A partnership with CNOOC might provide PTTEP with another way to transfer funds into Burma.

¶9. (C) PTTEP officials are aware that the Chinese would want to purchase the natural gas from M9. To protect itself, PTTEP might acquire shares in CNOOC's M10 block, she said. PTTEP, which has some reservations about investing \$8.5 billion into the project, has the technology to help CNOOC develop its own block. That way, any gas produced in M10 would go to the Chinese, and PTTEP could sell the gas from M9 to Thailand, Tapaopong explained.

Comment

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¶10. (C) Despite Burma's ongoing political crisis, Thai companies, such as PTTEP, continue to invest heavily in the country. Although the Thai Embassy allegedly warns potential Thai investors about the dangers of doing business in Burma, PTTEP, as a partner in larger projects, has successfully

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maneuvered its way into the oil and gas sector, becoming the largest single purchaser of Burmese natural gas in the world.

This gas is also very important to Thailand to literally fuel its economic growth. Thailand and China are competitors for the same resources. PTTEP may have met its match in the Chinese as industry insiders believe the Chinese will do whatever possible to secure access to natural resources. India has already learned this bitter lesson, as gas it hoped to buy from its joint venture with the Koreans appears headed now for China. Similarly, Thailand may end up developing reserves that it will lose to China.

VILLAROSA